

2008 Annual Report

State of New Jersey

Casino Control Commission



2008 Annual Report

The
2008
Annual
Report of the New
Jersey Casino
Control
Commission
is submitted to the
Governor and
New Jersey
Legislature.



Jon S. Corzine
Governor

2008 Annual Report



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Message from the Chair



Linda M. Kassekert

Thirty years ago in 1978, Resorts International Hotel Casino opened its doors and ushered Atlantic City into a new era. The headline splashed across the front page of the local newspaper proclaimed, “Queen of Resorts Reigns Again.” The opening of Resorts opened the floodgates for billions of dollars of new investment, tens of thousands of new jobs and tens of millions of annual visitors.

But in 2008 we find ourselves in the middle of what may be the worst economic downturn since the Great Depression and that, along with a number of other factors, is taking its toll. The slowdown in the national economy, increased competition, spiraling gasoline prices and the collapse of the credit markets combined to make 2008 the most challenging year for Atlantic City’s casino industry and for the Casino Control Commission.

A curtain of competition has been drawn around the borders of New Jersey, and new gaming venues that have opened in the last couple of years, have captured some of the customers who used to visit the Atlantic City’s casinos. As a result, the next couple of years still won’t be easy.

Nowhere else outside of Nevada can you find so many casino hotel complexes concentrated into such a small area. We have 11 large, full-service casino resorts shoehorned into a very small city. Unlike other nearby jurisdictions, a person can easily walk from one casino to another in Atlantic City. With eight properties along the Boardwalk, it is easy to come to Atlantic City and stay at one casino yet have the attractions and amenities of several casinos just steps away. The casinos in Atlantic City offer a concentration of restaurants, shops, entertainment and other attractions that cannot be matched in the neighboring states. Go to any of the new gaming facilities in Pennsylvania, or New York and you will see that each has one or two nice restaurants. Come to Atlantic City and you find dozens of them in and around the casino hotels.

Atlantic City also has a concentration of hotel rooms that can’t be matched by gaming venues in surrounding states. With the opening of three new hotel towers in 2008 – one at Harrah’s, one at Borgata and another at the Trump Taj Mahal – the number of hotel rooms jumped by approximately 2,500 to bring the room base

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Message from the Chair (continued)

over 17,000. That's enough to accommodate more than 12 million overnight visitors. Those additional rooms will help casinos to weather the economic slowdown and will position it well for a rebound in the future.

Unfortunately, the weakening economy and competition have taken a toll. Casino revenue declined for the second year in a row which translates to lower tax revenue for the Casino Revenue Fund. To cope with declining revenues, casinos have cut costs and reduced their payrolls.

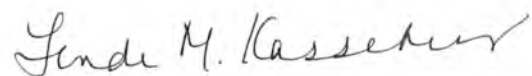
In recognition of the challenging economic times, the commission has cut its operations as well. Over the course of 2008, we reduced the number of employees from 325 to 295 and that number will be reduced even more in 2009. With the passage of additional regulatory reform legislation, the commission has been able to further streamline its operations and reduce the regulatory burden on the gaming industry.

Despite the reductions, the commission continued to maintain its focus on integrity. That is one area where the commission will not compromise. In addition, the staff has risen to the challenge to do more with less. The commission dealt with a number of highly complex issues throughout the year which required an enormous effort and the dedication and professionalism of the staff was obvious.

One issue that consumed a great deal of time and effort through 2008 was the status of the Tropicana Casino and Resort. The commission ruled in December 2007 that its new owners were not suitable and the commission denied the casino's license renewal request. Instead, a conservator was directed to sell the property. Before that could be done, the commission had to defend its decision before the Appellate Division of Superior Court and later before the New Jersey Supreme Court. Those appeals interrupted the sale process and the conservator was unable to complete a sale before the end of the year.

Through the year the commission developed a number of regulatory changes and approved a variety of new initiatives that streamline the regulatory process and make it easier for operators to grow their businesses. For example, the commission implemented recent legislative changes and approved promotional gaming credits which give casino operators a valuable marketing tool to attract new customers and better serve their existing ones. The commission also authorized a variety of new games, including electronic poker tables and a roulette game that links a real roulette wheel with players at electronic wagering stations.

Although gaming revenues were down, the commission collected over \$500 million in various taxes and fees over the course of the year. That included almost \$400 million in taxes that went into the Casino Revenue Fund to support programs for the state's senior citizens and persons with disabilities.



**CASINO
CONTROL
COMMISSIONERS**

LINDA M. KASSEKERT
Chair

MICHAEL C. EPPS
Vice Chair

WILLIAM T. SOMMELING
Commissioner

MICHAEL A. FEDORKO
Commissioner



DIRECTORS

DAVID SCANLAN
Chief of Staff

LINDA BROOKS
Division of Administration

NOREEN IANNUZZI
Division of Financial Evaluation

DIANNA FAUNTLEROY
General Counsel

JAMES FEHON
Division of Compliance

CHRISTOPHER D. STORCELLA
Division of Licensing

MARVIN ASKINS
Affirmative Action Officer



LINDA M. KASSEKERT
Chair

Linda M. Kassekert was appointed Chair of the New Jersey Casino Control Commission in November 2002 and reappointed by Governor Corzine to a second five-year term in June 2007. Her tenure on the Commission has coincided with significant changes in Atlantic City and the gaming industry.

Consistent with the tone established by her predecessors, Chair Kassekert is committed to ensuring the integrity of the industry while promoting growth and development of the gaming industry and its venues for entertainment and is equally committed to ensuring Atlantic City's competitive edge in the face of growing competition.

Under her leadership, Atlantic City's first new property in 13 years, the Borgata, opened in 2003; the Quarter at Tropicana, a themed retail and entertainment complex opened in 2004; the House of Blues at Showboat, a multi-level music hall, restaurant, and themed casino opened in 2005. Chair Kassekert has also presided over the opening of a new hotel tower at Resorts; the expansion of the beach bar concept around the city; the sale of the Atlantic City Hilton to Colony Capital; the acquisition of Caesar's Entertainment by Harrah's Entertainment; and the reorganization of Trump Entertainment.

Chair Kassekert serves as the Commission's representative on the Casino Reinvestment Development Authority and holds a board membership on Cooper Hospital Health Systems. Chair Kassekert was the first woman to be named chair of the Commission.

Prior to joining the Commission, Chair Kassekert was the Associate Director of Government Relations for the New Jersey Education Association and also had 12 years of experience in various positions in state and county government. While at the NJEA, Chair Kassekert served as a lobbyist for the 179,000-member labor union which represents active and retired teachers and other professionals in the education community in the state.

Chair Kassekert spent a year as an Assistant County Counsel in Camden County in 1994 and 1995. In that position she represented the county in the state courts in litigation dealing with employment law, contracts and other governmental matters. She also represented the county on a variety of matters before bodies such as the State Merit System Board, the Office of Administrative Law and the State Public Employees Relations Commission. Between 1990 and 1994, Chair Kassekert was the Deputy Commissioner in the New Jersey Department of Personnel in Trenton and served for a period as Acting Commissioner.

Chair Kassekert holds a bachelor of science degree in political science from Gettysburg College, a masters degree in public policy from Rutgers University and a law degree from Widener University School of Law. She is admitted to practice law in New Jersey and Pennsylvania.

A native of Maple Shade, she currently lives in Pennsauken.



MICHAEL C. EPPS
Vice Chair

Commissioner Michael C. Epps was appointed to the Casino Control Commission by Acting Governor Donald DiFrancesco and was sworn into office on January 4, 2002. In December 2006, Gov. Jon S. Corzine reappointed Commissioner Epps to a second five-year term. In 2005 Commissioner Epps served as Vice Chair of the Commission. The Commissioners elected him to serve again as Vice Chair in 2009. His current term expires in 2011.

Prior to his appointment, Commissioner Epps served as general counsel for the Atlantic City Board of Education. In that capacity, he was responsible for drafting and reviewing contracts, bids and proposals for the school board and for handling litigation in the Superior Court, Office of Administrative Law and before the Commissioner of Education. In addition, his responsibilities included ensuring that the board complied with all relevant state statutes. Prior to joining the Board of Education, Commissioner Epps was an associate with the law firms of Horn, Goldberg, Gorney, Plackter, Weiss & Perskie in Atlantic City and the Absecon firm of Savio, Reynolds & Drake.

The first Atlantic City native to serve on the commission, Commissioner Epps, a graduate of Atlantic City High School, earned a Bachelor of Science degree in journalism from the University of Maryland in 1988. He graduated from the Howard University School of Law in 1994 and was admitted to the New Jersey Bar that same year. He is also admitted to the bar in Pennsylvania.

Commissioner Epps is a member of the American, New Jersey and Atlantic County Bar Associations. He serves as a Commissioner on the Atlantic County Utilities Authority, sits on the Advisory Board of the First Tee of Greater Atlantic City, and serves as the Commission's representative on the board of the Atlantic City Special Improvement District. He is also a member of the Vincent S. Haneman American Inns of Court, Omega Psi Phi Fraternity Inc. and legal fraternity Sigma Delta Tau. He currently resides in Galloway Township with his wife and daughter.



WILLIAM T. SOMMELING
Commissioner

Commissioner William Sommeling was appointed to the Casino Control Commission by Governor Christine Todd Whitman in November, 2000. He served as vice chair during 2004. He was reappointed by Gov. Richard Codey in 2005 and currently serves as vice chair. His term expires in 2010.

Prior to joining the commission, he served as Undersheriff in Ocean County for 11 years and has more than 35 years of experience in law enforcement. As Undersheriff, Commissioner Sommeling was responsible for much of the day-to-day management and operation of the Sheriff's Office.

Commissioner Sommeling started his career in public service when he went to work for the city of Seaside Heights in 1955. He served in the Police Department there as patrolman, investigator, undercover agent and sergeant until 1967 when he moved to the larger Dover Township Police Department. He also rose to the rank of sergeant there after serving as a patrolman, detective, and investigator. He also was the department's planning officer and project director for several programs that were funded through state and federal grants. In both municipalities, he did extensive undercover work on narcotics cases. He was also assigned to the Ocean County Prosecutor's Office and served as the Deputy Director of the Ocean County Narcotics Bureau where he was in charge of all of its field operations.

After leaving the police department in 1981, Commissioner Sommeling held several positions in casino surveillance departments in Atlantic City. He was a surveillance shift supervisor and monitor room manager at the Claridge Casino Hotel in 1981-1982. He then joined the Tropicana Hotel Casino as assistant director of surveillance and was promoted to director of surveillance in 1984. He remained with Tropicana until 1989 when he was appointed Undersheriff in Ocean County.

Active in politics for years, Commissioner Sommeling was the president and chairman of the board of trustees of the Toms River Regular Republican Organization. He also has served as a member of the Dover Township Committee, chairman of the Dover Township Board of Adjustment and the Dover Township Municipal Utilities Authority and was a member of the Ocean County Utilities Authority and chaired its Administration Committee.

Commissioner Sommeling graduated from Trenton State College with a degree in criminal justice and received a masters in administration from Rider University. He also received an associates degree from Ocean County College, a certificate in Police Science and Administration from Temple University and completed post graduate courses at Cornell University and the University of Virginia. He also received professional training at the New Jersey State Police Academy, the FBI National Academy and the National Sheriff's Institute and attended numerous other courses offered by state and national law enforcement agencies. He also served in both the New Jersey National Guard and the United States Marine Corps Reserves. Commissioner Sommeling is or has been active in a number of professional and civic organizations, including: International Association of Chiefs of Police, National Sheriff's Association, United States Marine Corps League, New Jersey State PBA, Police Superior Officer's Association, American Society of Industrial Security, FBI National Academy Association, Lambda Alpha Epsilon, Toms River Yacht Club, Emerald Society of New Jersey and Ducks Unlimited.



MICHAEL A. FEDORKO
Commissioner

Gov. Christine Todd Whitman nominated Michael Arthur Fedorko to the Casino Control Commission upon his retirement from the State Police on November 1, 1999. He was approved by the New Jersey Senate and sworn in on November 17, 1999. In May 2004, Commissioner Fedorko was re-nominated for another five year term with the Casino Control Commission by Governor James E. McGreevey. He was confirmed by the New Jersey Senate in June 2004. His term expires in 2009.

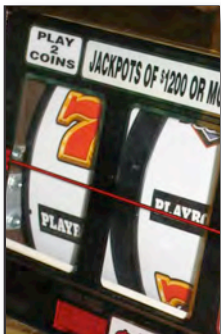
In 1966, before joining the State Police Commissioner Fedorko enlisted in the United States Marine Corps. He was wounded in action at Khe Sanh, Republic of Viet Nam on March 24, 1967. He is featured in the book "Above and Beyond" about Marines who have had noteworthy civilian careers.

He joined the New Jersey State Police as a member of the 77th State Police class on February 7, 1969. In October 1993, he was assigned to the State Police Academy as Commandant. In December 1995, he was transferred to the Division Staff Section as section supervisor and was subsequently promoted to major. He was transferred to the Administration Section as section supervisor in November 1996 and assumed the position of chief administrative officer for the Division of State Police. In May 1997, he was assigned to the position of executive officer and was subsequently promoted to Lieutenant Colonel. His climb through the ranks led to his appointment to the position of deputy superintendent. Gov. Whitman appointed him to the position of Acting Superintendent on February 28, 1999.

He has served on numerous boards, commissions and organizations including: IACP State & Provincial Division; New Jersey State Police Advisory Board; NJSP Training Committee; NJSP Search and Seizure Training Committee; DARE NJ, Board of Directors; N.J. Police Training Commission, Office of the Attorney General; N.J. Police Academy Directors Association; and the State Police & Provincial Academy Directors. He also served as a Research Center associate for the Kennedy Schools Program in Criminal Justice for Policy and Management at Harvard University; and on the Advisory Panel to the Criminal Justice Department of Brookdale College. Additionally, he was hearing officer for State Police court martial cases; served on the Promotional Board for the Connecticut State Police for promotion of captains and the N.Y. State Police Inspection Bureau. He assisted with the evaluation of the NYSP Executive Protection Group as well as the N.Y. State House security. He also served on the New Jersey Attorney General's ad hoc Committee for State Police Helicopter acquisitions and was a member of the Multi-Agency Committee of Executive Protection and Physical Security of the 1986 Statue of Liberty Centennial Ceremony. He currently serves on the Board of Directors of the Marine Corps Law Enforcement Foundation, the McGuire Memorial Foundation, the New Jersey Committee for Employer Support of the Guard and Reserve, the Atlantic City Regional Mainland Chamber of Commerce, the First Tee of Greater Atlantic City, and the Casino Reinvestment Development Authority. On May 5, 2006, Commissioner Fedorko was appointed to be the New Jersey Liaison to the National Museum of the Marine Corps.

Commissioner Fedorko was born in Lakeland, Florida but has lived in the Trenton area all but one year of his life. He was educated in Trenton area schools. He completed his undergraduate studies at Trenton State College, earning a B.S. in Criminal Justice. He earned a Masters in Governmental Administration from the University of Pennsylvania. He also attended the Management Program for Senior Executives in State and Local Government at the John F. Kennedy School of Government at Harvard University.

Operations of the Commission



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Chief of Staff's Office

The Chief of Staff reports directly to the Chair. The primary responsibility of the Chief of Staff is to ensure that the Commission functions effectively. The Chief of Staff directs strategic planning, agency-wide policy development and the implementation of plans and policies. The Commission's budget process and all administrative matters for the division directors are also handled by this office.

The Public Information Officer reports directly to the Chief of Staff and is responsible for media relations for the Commission. Detailed information on the regulatory system, the casino industry and the impact of casino gaming on the City of Atlantic City and the state is provided through the Public Information Officer.

The Community and Employee Events Unit also reports to the Chief of Staff. This unit coordinates employee events and prepares publications for internal and external distribution.

The Chief of Staff Year in Review:

- ▶ Continued the Commission's efforts to find efficiencies throughout the agency and streamline services to the casino industry and the public;
- ▶ Provided better and more current access to data and financial reports and other information and documents often requested by the public, the gaming industry, other national and international gambling jurisdictions and financial sector representatives;
- ▶ Prepared a myriad of reports, presentations and speeches for the chair and commissioners of the agency. This information is often presented to college, business and law school classes, community groups, industry conferences and the investment community;
- ▶ Handled more than 2,500 inquiries from the public, news media outlets, public officials and others about a wide range of topics dealing with the Casino Control Commission, commission decisions, the Casino Revenue Fund, the gaming industry and Atlantic City;
- ▶ Responded to OPRA (Open Public Records Act) requests seeking access to copies of public documents, including petitions, rulings, transcripts, opinions, reports and others;
- ▶ Handled the conversion for the monitoring and posting of the Exclusion List from the Division of Gaming Enforcement to the Casino Control Commission and its website. Maintains contact with the General Counsel's Office to ensure timely updating of the Exclusion List;
- ▶ Continued to work with all the divisions of the Commission to update the Commission's website with new and revised statistics and information in a timely manner; and
- ▶ Organized two American Red Cross Blood Drives.

Office of the General Counsel

The General Counsel's Office, also known as the Legal Division, is composed of three units: the Licensing Unit, the Compliance Unit and the Casino Licensing and Regulatory Affairs Unit, which includes the Administrative Practice Unit.

This year the Commission bid a fond farewell to Assistant General Counsel Steve Ingis, who retired in August 2008 after twenty-six years of esteemed service to the Commission.

The Compliance Unit is responsible for providing legal advice to the Commission and to the Operations and Inspections Unit of the Compliance Division on matters relating to accounting and internal controls, gaming equipment, the rules of the games, and casino floor expansions.

During the past year, the Compliance Unit handled a variety of interesting, complex and challenging matters:

- ▶ In response to requests from casinos or the Commission's Operations Unit, it drafted proposed regulations for a number of matters, including cashier-generated gaming vouchers, mystery coupons, new denominations of gaming chips, multi-deck packaging of cards, promotional gaming credits, bill validators with "flash" technology, new procedures for inspection of single-use cards, incremental table game wagers and the funding of annuity slot jackpots; reviewed Assembly bill A-2756, which contained proposed amendments to the Casino Control Act, and recommended a number of revisions and additions that were ultimately incorporated into the final Senate bill S-2519;

- ▶ Monitored proposed expansions to, and reconfigurations of the casino floors of each casino licensee, and oversaw the approval of those proposals; monitored proposed transfers of progressive slot jackpots to ensure compliance with Commission regulations, and handled a number of inquiries from Commission inspectors regarding incidents and issues in various casino-hotels;

- ▶ Reviewed various proposals for new games, and proposed regulations for the following new games, game variations and new wagers: Diamond Roulette (roulette game variation involving sector wagers based upon a multi-colored roulette wheel); Winner's Pot Poker (new poker game); Dragon Bonus (new baccarat and minibaccarat wager); 1 Bet Threat (variation of Texas Hold'em poker game); Supreme Pai Gow (variation of pai gow poker); Fire Bet (new craps wager) and an insurance wager for pai gow poker.

- ▶ Received and processed 419 patron complaints, primarily involving rules of the games, complimentary items, advertising and promotions, a number of which were referred to the Division of Gaming Enforcement for further investigation; responded to numerous subpoenas;

- ▶ In addition to their assigned duties, it assisted the General Counsel Licensing Unit in contested casino service industry and employee matters; assisted in the research and writing of the Commission's briefs in the Adamar of New Jersey's (d/b/a Tropicana AC) appeals of the Commission ruling denying a renewal of its license.

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Office of the General Counsel

The Casino Licensing and Regulatory Affairs Unit handles all casino licensing and renewals, and is the Unit primarily responsible for regulatory review.

The Administrative Practice Unit coordinates preparation of the public meeting agenda, notices and minutes as well as access to public records.

The Casino Licensing and Regulatory Affairs Unit also had a challenging, yet rewarding, 2008:

- ▶ Under the direct supervision of, and together with the General Counsel, successfully defended, initially at the intermediate state appellate court and ultimately before the New Jersey Supreme Court, the Commission's decision in December 2007 refusing to renew the Adamar of New Jersey's casino license and denying plenary qualification to the casino licensee's new owners, Tropicana Casino and Resorts, Inc. and its subsidiaries;
- ▶ Advised the Commission as it continued monitoring the conservator it had appointed for former casino licensee Tropicana AC, particularly as to (a) the denial of the conservator's request for permission to "re-convey" the ownership of the casino hotel to its former holding companies and (b) the extension of the period by which the sale or other disposition of the property of the former casino licensee had to occur.
- ▶ Advised the Commission during its consideration of Borgata's request for approval of a material debt transaction to amend its \$800 million credit facility;
- ▶ Advised the Commission regarding the renewal of the casino license of Resorts AC for a five-year term;
- ▶ Assisted and advised the Commission during its consideration of the approval of the form of trust agreement and completeness of the application of subsidiaries of Dubai World for interim casino authorization;
- ▶ Advised the Commission during the renewal of the casino licenses of Showboat, Harrah's, Bally's Park Place and Caesars for five-year terms;
- ▶ Advised the Commission as to plenary qualification of Apollo Hamlet Holdings, LLC and TPG Hamlet Holdings, LLC and more than 50 affiliated entities and individuals in connection with their \$30 billion acquisition of Harrah's Entertainment, Inc.; and
- ▶ Continued to maintain the official records of the Commission and responded to approximately 93 requests for information and/or documents under the Freedom of Information Act and the Open Public Records Act.

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Office of the General Counsel

The Licensing Unit advises the Commission on the majority of the agency's contested cases.

The attorneys and professional staff within the Licensing Unit met the challenges of 2008 resourcefully and successfully:

- ▶ Primarily responsible for the preparation of the appellate brief in the Adamar of New Jersey's license and plenary qualification denial proceedings;
- ▶ Successfully defended the Commission at the state appellate court during proceedings arising from the denial of the renewal of a casino employee license. The decision of the Commission was successfully argued before the Appellate Division;
- ▶ Represented the Commission at the state appellate court during proceedings arising from the denial of an applicant for a casino service industry license's petition for the release of monies held in escrow. The decision of the Appellate Division remains pending;
- ▶ Assisted the Commissioners in their capacity as quasi-judicial hearing officers in the conduct of contested licensing proceedings resulting in the issuance of several initial decisions;
- ▶ Opened 990 new contested license and casino violations cases; and
- ▶ Managed an average of 483 contested cases per month and closed 945 contested matters.

Division of Administration

The Division of Administration encompasses four units: the Administrative Operations Unit, the Budget and Fiscal Office, the Human Resources Unit, and the Information Technology Unit.

The Administrative Operations Unit is the organizational hub of the Agency, and manages incoming and outgoing mail, transportation, central files, document receipt and processing, building security, and all facilities operations.

The Budget and Fiscal Office oversees the Commission's annual budget, purchasing, and Agency fiscal operations services.

The Human Resources Unit is responsible for all personnel and employee services, including recruitment, time-keeping, employee benefits, compensation and classification, and for the maintenance and storage of personnel records. It also ensures agency compliance with all Department of Personnel requirements and directives.

The Information Technology Unit delivers Agency-wide technology services, including computer infrastructures, telecommunications, and eGovernment initiatives.

The Division of Administration Year in Review:

- ▶ Provided specialized training to Agency personnel, including AED/CPR, job-specific education, and benefits and pre-retirement training seminars;
- ▶ Implemented numerous cost-saving measures, including:
 - Reduced the number of internal courier service deliveries and pickups per week, saving fuel and freeing staff for other duties;
 - Eliminated two clerical staff positions and transferred their functions to the remaining Administration clerical and supervisory staff;
 - Extensively consolidated job roles and responsibilities to maintain service levels with reduced staffing;
- ▶ Reviewed and updated the Casino Control Commission Business Continuity Plan;
- ▶ Implemented commission office improvements, including carpeting, signage, exterior painting and boiler refurbishments;
- ▶ Organized a State Police safety and security evaluation of the Arcade Building;
- ▶ Established new online auction arrangement with GovDeals.com to auction the agency's surplus equipment;
- ▶ In the spirit of going green, replaced the agency's cleaning products with natural cleaning products;
- ▶ Completed comprehensive review of personnel/medical files, documents and records to ensure protection and security of personal information;
- ▶ Processed Early Retirement Incentive (ERI) applications for 17 agency employees. Through these retirements and other attrition, agency staffing was reduced from 325 to 295 employees;
- ▶ Significant progress was made with the redesign and conversion of the Enterprise License System (ELS) with the project nearing its completion;
- ▶ ISDN lines were upgraded from the commission offices to the Casinos enabling the field employees of the Commission to have better access to applications;
- ▶ The Uninterruptable Power Supply (UPS) system that services all the IT servers was upgraded successfully the past year. This will allow the Commission to provide greater flexibility in the event of a power failure at the commission offices; and
- ▶ Completed modifications to the Timekeeping (T&E), Human Resources (HR), Financial (FEU) and iSeries based programs. These initiatives realized cost savings since the modifications were completed by in-house staff rather than relying on consultants.

Division of Compliance

The Division of Compliance consists of a Director's Office and two operating units – the Casino Operations Unit and the Inspection Unit. The Division of Compliance is the largest division in the Commission, comprising over half of the agency's work force.

The Casino Operations Unit is responsible for assuring that each casino licensee establishes adequate internal controls over gaming operations and is in compliance with pertinent sections of the Casino Control Act and related regulations. The unit also reviews submissions seeking approval of new gaming equipment, new games and new rule options on existing games.

The Inspection Unit continues to be the most visible unit within the Commission; Commission Inspectors are present in the casinos 24 hours a day, seven days a week. The Principal Inspectors and Inspectors assigned to each casino ensure the integrity of casino operations by monitoring gaming activities and certifying all gaming revenue. In addition they receive complaints from the public related to the conduct of gaming and simulcast wagering operations.

The Division of Compliance's Year in Review:

- ▶ Reviewed more than 2,200 internal control submissions and approved more than 1,000 slot machine prototype modifications;
- ▶ Approved Bad Beat Progressive jackpots in the game of poker for eight casinos; reviewed several new poker card designs and tournament procedures, in conjunction with the continued popularity of this game;
- ▶ Approved the first table game with an automated wagering system and bill acceptor unit; Rapid Roulette is now offered at all four casinos owned by Harrah's Entertainment;
- ▶ Approved Trump Plaza to test the first automated table game with an automated wagering system (no currency or gaming chips accepted); Poker Pro was available for six months before the casino decided to withdraw it from play in December;
- ▶ Approved more than 120 software change control notices as part of our ongoing review of casino computer systems;
- ▶ Continued to participate with the industry and the Division of Gaming Enforcement in a review of technology-related regulations and internal controls, including a review of products intended to provide better customer service at slot machines such as express jackpots, slot bonus systems, jackpot-to-credit meter switches and cashier-generated gaming vouchers;
- ▶ Approved the automation of several functions such as the computerized reconciliation procedures for gaming voucher redemption machines, table game player ratings and cashier cage functions;
- ▶ Approved several new gaming chips for the industry including the first \$25,000 gaming chip at Caesars and a 30th anniversary chip for Resorts;
- ▶ Approved three new video display systems, which attach to slot machines and provide patrons with new options to view and redeem complimentary and promotional offers;
- ▶ Began reviewing plans for the proposed new Revel Casino;
- ▶ Approved automated procedures for all casinos to offer non-cashable complimentary and promotional electronic slot credits that can be used at slot machines;

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Division of Compliance

CONTINUED:

- ▶ Provided assistance in developing legislative changes to the Casino Control Act related to various gaming issues; and

- ▶ Participated in meetings with Coastal Marina regarding its plans to acquire Trump Marina.

During 2008, the Inspection Unit accepted 268 complaints from gaming patrons and reported a total of 1,381 incidents that were resolved by casino management;

- ▶ Principal Inspectors approved in excess of 825 gaming-related submissions and petitions during the year, including more than 215 amended Certificates of Operation; and

- ▶ There were more than 77,000 Activity Reports generated by inspectors, which documented activities involving casino personnel, the public and the Division of Gaming Enforcement.

The Division of Compliance was also involved in facilitating numerous noteworthy events at casinos during the year:

- ▶ In May, Resorts celebrated 30 years of gaming in New Jersey. It was a significant media event for television stations and newspapers. The celebration included block parties, sky divers, a huge promotional craps table on the boardwalk and many events for public participation. Resorts closed its simulcast facility and renovated a high roller slot area.

- ▶ Harrah's expanded its casino floor from 160,337 square feet to 173,224 square feet. The first floor poker room was expanded from 24 tables to 40 tables, and the Brigantine Poker Tournament Room was expanded from 30 tables to 83 tables to accommodate the "World Series of Poker". Harrah's also added a Simulcasting Room, a modern Keno area, completed a new hotel tower and opened "The Pool", a major new attraction.

- ▶ Bally's Atlantic City tested three new table games. Rapid Roulette was introduced in May; Ultimate Texas Hold'em Poker and Supreme Pai Gow were offered to the public beginning in October and December, respectively. Two new gaming pits known as "Gateway Games", featuring low table minimums, were opened on Claridge's second level following the June closure of gaming areas on Claridge's first floor. On October 15, Bally's opened seven smoking lounges, including one lounge in Claridge and one in the Wild Wild West Casino.

- ▶ Trump Taj Mahal opened its long anticipated hotel expansion, dubbed the "Chairman's Tower", which consists of 927 hotel rooms and suites. With a total of 2,036 hotel rooms, Taj

Mahal can now actively compete for mid-level convention events with other large venues both in and out of state.

- ▶ In anticipation of an industry-wide smoking ban on the casino floor, Taj Mahal also constructed a 6,000 sq. ft. smoking lounge adjacent to the casino floor. The lounge includes floor to ceiling glass panels, large screen televisions and comfortable furniture. It utilizes the latest technology in air handling systems, which totally replaces the ambient air in the room every 15 minutes.

- ▶ The Tropicana continued to operate under observation of a conservator, who was appointed by the Commission on December 13, 2007. During this time, on-site staffing has continued to maintain a significant presence through the continual monitoring of IT procedures, surveillance procedures, and cage procedures as well as monitoring the staffing levels of various departments to ensure the casino continues to operate in compliance with all statutory and regulatory requirements.

- ▶ Tropicana introduced "The Rumba Lounge", a circular bar in its North Tower gaming space, modernized its configuration of gaming tables, and opened two new slot areas: "Havana Roof Top Slots" and "Palm Cove" premium slots.

- ▶ Trump Plaza completed a renovation project that began in 2007, upgrading and modernizing the look of its main casino floor. The renovated East Tower Casino remained open from Memorial Day until December 31. The East Tower included Poker Pro automated table games, 12 low limit blackjack tables and bar top slot machines.

- ▶ Showboat relocated its poker room from the second floor to the first floor "House of Blues" casino. Two hundred slot machines were replaced with 28 poker tables creating a new pit near the boardwalk. Showboat also installed the new game Rapid Roulette. Two smoking lounges were constructed near the casino floor to accommodate smokers. Although the local smoking ban has since been lifted, these areas remain in use.

- ▶ Caesars was the first casino in town to offer Rapid Roulette, beginning on May 9. It also introduced the new games of Asia Poker and Fortune Pai Gow Poker. Caesars was the first casino to receive approval for a \$25,000 chip.

- ▶ In June, Borgata opened its Water Club Hotel and Spa, consisting of 800 suites. The boutique-style hotel includes a new convention facility, bars, multiple swimming pools and a state-of-the-art spa.

Division of Financial Evaluation

The Division of Financial Evaluation consists of three units: the Financial Evaluation Unit, the Revenue Unit, and the Audit Unit. The Financial Evaluation Unit provides expert advice and consultation to the Commissioners on all matters of a financial or economic nature. The Revenue Unit collects all taxes and fees required by the Casino Control Act, and the Audit Unit certifies gross revenue and ensures the sufficiency of other tax payments to the Casino Revenue Fund.

Working as a team, the three units in the Division of Financial Evaluation provided oversight to more than \$500 million in casino-related distributions that are made to the State of New Jersey, consisting of the following:

- ▶ \$382.4 million in Gross Revenue Tax and \$27.3 million in casino-related taxes (Parking Fee, Complimentary Tax, Casino Room Fee and Multi-Casino Progressive Slot Tax) that were used to fund programs that benefit the aged and disabled residents of the state;
- ▶ \$39.6 million in casino-related taxes that were forwarded to the Casino Reinvestment Development Authority to assist in the further redevelopment of Atlantic City and the State of New Jersey;
- ▶ \$72.5 million in licensing fees that fund the operations of the Casino Control Commission and Division of Gaming Enforcement;
- ▶ \$1.4 million in Commission imposed fines, with \$600,000 deposited in the General Fund to provide funding for the Council on Compulsive Gambling and the remainder deposited into the Casino Revenue Fund;
- ▶ Provided financial guidance on the development of statutory changes to permit a gross revenue deduction for promotional gaming credits pursuant to legislation that became operative in August 2008. The Financial Division's initial responsibilities included creating financial reporting requirements, reviewing the regulations, and meeting with the industry to implement the legislation. On an ongoing basis, the Financial Division compiles the promotional gaming credit statistics, issues reports to the industry regarding gross revenue tax deductions, and audits the promotional gaming credit information;
- ▶ Reviewed the proposed legislative changes to the Casino Control Act (Assembly Bill A-2756) and worked with the General Counsel's Office on recommendations that were incorporated into the final version of the legislation;

Continued on next page

Division of Financial Evaluation



CONTINUED:

- ▶ Performed expanded audit testing upon the introduction of new electronic drop systems at Tropicana and the Trump properties. Also, reviewed revenue reporting and audit issues related to the development of a new electronic drop system being developed by Harrah's Entertainment for introduction at their four properties in 2009;
- ▶ Addressed various issues related to multi-casino jackpot systems including the introduction of a new system with novel funding sources, the takedown and transfer of one system and various financial reporting issues;
- ▶ Developed and implemented audit procedures for computerized table games Poker Pro and Rapid Roulette that were introduced in 2008;
- ▶ Monitored over 550 internal control submission changes that impacted gross revenue reporting and the Commission's audit program;
- ▶ Reviewed 41 notices of document destruction and provided expert guidance to the industry on record retention issues;
- ▶ Completed the required agency annual internal control review resulting in a clean audit report to OMB;
- ▶ Continued to monitor post-close financial reporting issues for Pinnacle Entertainment;
- ▶ Undertook full financial stability reviews for five licensees and their corporate parent companies in conjunction with the renewal of their casino licenses, as well as a Statement of Compliance for Pinnacle Entertainment;
- ▶ Analyzed changes to Apollo Management's and TPG Capital's acquisition of Harrah's Entertainment, an internal reorganization of the company, and two debt exchange offers;
- ▶ Worked with Tropicana management on the transition from former ownership to a standalone entity under a Trustee/Conservator and closely monitored the financial situation at the property during the sale process; and
- ▶ Worked with the Communications Office to maintain the financial pages of the Commission's web site and to post monthly and quarterly financial reports.

Division of Licensing

The Division of Licensing, which consists of four operating units, manages all aspects of casino employee and business enterprise licensing and casino hotel alcoholic beverage licensing.

The Employee License Unit is responsible for the licensing and registration of casino employees.

The Enterprise License Unit oversees the licensing of gaming and non-gaming related casino service industries and junket enterprises and the registration of vendors and labor organizations.

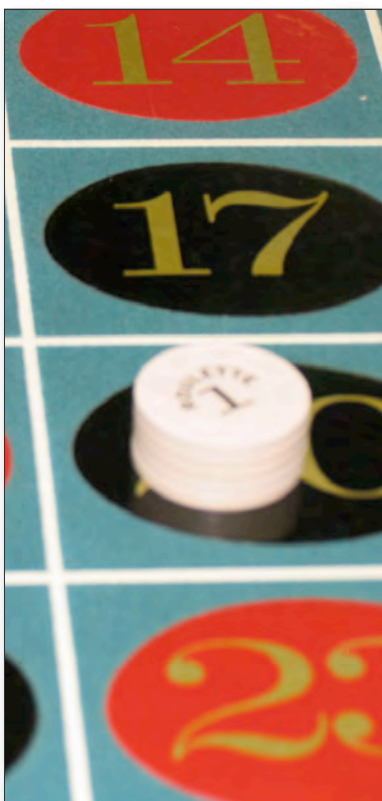
The Support Services Unit provides application support services to Division of Licensing staff and is the main repository for all active license application files processed by the Division of Licensing.

The Director's Office administers the division's daily operations and all aspects of casino hotel alcoholic beverage licensing.

The Division of Licensing Year in Review:

- ▶ Processed more than 18,000 employee initial, temporary and renewal applications, licenses and registrations;
- ▶ Issued over 11,000 employee license credentials;
- ▶ Accepted over \$2.4 million dollars for Employee initial, renewal and miscellaneous fees;
- ▶ Accepted 204 applications for the self-exclusion list, bringing the total number of self-exclusion applications to 984;
- ▶ Received a little over 5,000 revisions to Atlantic City casino licensee's jobs compendia, job descriptions and/or tables of organization structure;
- ▶ Maintains a Customer Service area in the main lobby of the License Division to better serve the applicants;
- ▶ Initiated work on a long-awaited redesign and conversion of the decades-old enterprise registration and licensing database which will, when complete, provide the Enterprise License Unit with a sophisticated tool for monitoring the registration and licensing status of companies that do business with New Jersey casino licensees and for improving the exchange of information with the casino industry;
- ▶ The Enterprise License Unit began monitoring business transactions between enterprises performing on-site construction services at the proposed Revel Entertainment casino facility and all enterprises that conduct direct business with Revel Entertainment Group LLC.;
- ▶ Commenced with a restructuring of the Enterprise License System in an effort to more fully integrate staff members into all other operational areas;
- ▶ Continued with the development, redesign and conversion of the enterprise registration and licensing database, which upon completion, will provide the Enterprise License Unit with a very sophisticated system for monitoring and tracking enterprises conducting business with New Jersey casino licensees and applicants. This system is anticipated for completion in the first half of 2009; and
- ▶ Authorized the service of alcoholic beverages by casino hotel alcoholic beverage licensees at beach bars and Boardwalk locations as well as special events during the summer.

Affirmative Action Officer



The role of the Affirmative Action Officer is to ensure that the Commission adheres to all Federal and State laws and equal employment opportunity and affirmative action policies for the protection of all employees at the commission. Equal Employment Orientation sessions are provided to all new employees to make them aware of the State and Commission policies and procedures. All employees are also required to undertake sexual harassment training and pass a test on this important subject as part of this orientation.

The Affirmative Action Officer's Year in Review:

Monitored employment and promotional activity at the Commission including the hiring and EEO/AA policy orientation of 11 new employees of whom seven (64%) were female and five (45%) were minority and the promotions of six male employees of whom one (17%) was minority; and conducted the Commission's EEO and HR Plan Assessments for fiscal years 2005, 2006 and 2007.

Commission Statistics



23	New Jersey Casino Industry Facility Statistics
24	New Jersey Casino Industry Financial Statistics
26	New Jersey Casino Industry Employment Statistics
29	New Jersey Casino Industry Employment and Salaries and Wages
30	New Jersey Casino Industry Enterprise Registration and Licensing Statistics
33	New Jersey Casino Control Commission Employees and Budget Appropriations
34	Casino Revenue Fund
35	Independent Auditor's Report

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**THE NEW JERSEY CASINO INDUSTRY
FACILITY STATISTICS
AT DECEMBER 31, 2008 AND 2007**

	AC HILTON		BALLY'S AC		BORGATA		CAESARS		HARRAH'S		RESORTS		SHOWBOAT		TROPICANA		TRUMP MARINA		TRUMP PLAZA		TRUMP TAJ MAHAL		INDUSTRY TOTALS	
	2008	2007	2008	2007	2008	2007	2008	2007	2008	2007	2008	2007	2008	2007	2008	2007	2008	2007	2008	2007	2008	2007	2008	2007
TABLE GAMES:																								
Blackjack	40	45	68	77	87	87	50	50	53	38	35	34	44	41	70	63	35	29	36	36	59	48	577	548
Craps	6	8	9	12	14	14	13	13	6	6	5	6	5	5	8	6	6	6	5	5	12	11	89	92
Roulette	6	8	21	24	21	21	15	14	12	11	10	10	9	9	17	20	6	6	9	9	14	13	140	145
Big Six	1	1	2	2	1	1	1	1	1	1	1	1	1	1	1	1	-	-	-	-	1	1	10	10
Baccarat	1	2	2	2	2	2	1	3	-	-	2	3	-	-	1	2	1	2	-	-	1	1	11	17
Minibaccarat	16	12	16	14	8	8	12	11	5	2	12	12	9	9	9	6	6	4	10	10	11	12	114	100
Sic Bo	1	1	1	1	-	-	1	1	-	-	-	-	-	-	-	-	-	-	-	-	1	1	4	4
Pai Gow Poker	4	4	9	10	6	6	6	6	2	2	1	1	2	2	4	4	2	2	2	2	5	4	43	43
Pai Gow	4	6	3	3	2	2	5	5	1	2	2	2	2	2	3	3	2	2	2	2	3	3	29	32
Poker	4	14	27	20	85	85	24	24	40	24	5	5	28	23	35	48	-	-	14	-	70	70	332	313
Caribbean Stud Poker	1	1	2	2	3	3	2	3	1	1	-	-	1	1	1	2	1	2	-	-	2	2	14	17
Let It Ride Poker	3	3	4	4	5	4	3	3	4	4	2	2	3	3	3	3	2	3	2	2	3	3	34	34
Spanish 21	3	3	7	9	5	4	7	7	2	2	3	3	1	2	5	4	3	3	3	3	4	3	43	43
Three Card Poker	8	8	15	18	16	16	11	11	11	12	6	8	8	7	10	11	5	6	8	8	9	9	107	114
Four Card Poker	1	2	6	-	5	5	4	4	2	3	1	1	1	1	2	2	1	2	2	2	2	2	27	31
Double Attack Blackjack	1	1	-	-	-	-	1	1	2	2	-	1	1	2	1	-	-	-	-	-	1	1	7	9
Texas Hold'Em Bonus Poker	1	1	6	8	5	5	4	4	1	2	1	1	2	2	3	4	1	2	2	2	2	2	28	33
Flop Poker	-	-	-	-	-	-	-	-	2	1	-	-	2	1	-	-	2	-	-	-	-	-	4	4
Asia Poker	1	1	2	2	2	2	2	2	-	-	1	1	-	1	-	-	-	-	-	-	-	-	8	9
Ultimate Texas Hold'Em (a)	-	-	1	-	-	-	-	-	-	-	-	-	-	-	-	-	1	1	-	-	-	-	2	1
Winner's Pot Poker (b)	-	-	1	1	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	1	1
Total Table Games	102	121	202	216	267	265	162	163	145	113	87	91	119	112	173	179	72	73	95	81	200	186	1,624	1,600
KENO WINDOWS																								
	-	-	4	4	-	-	3	6	4	4	-	-	-	-	-	-	-	-	-	-	2	2	13	16
SLOT MACHINES:																								
\$.01 and .02 Slot Machines	621	481	991	937	927	703	814	682	347	312	607	486	475	520	749	498	540	448	567	565	946	756	7,584	6,388
\$.05 Slot Machines	171	279	792	924	1,032	1,182	395	528	516	701	260	313	200	324	386	490	361	435	308	374	362	425	4,783	5,975
\$.25 Slot Machines	760	739	1,733	1,947	723	934	753	891	781	1,079	555	605	366	390	560	657	487	487	582	548	801	1,248	8,101	9,525
\$.50 Slot Machines	74	100	162	232	121	139	128	126	57	69	98	24	24	39	50	51	108	110	54	54	79	54	857	1,111
\$1 Slot Machines	287	306	458	528	282	299	330	442	311	462	199	243	165	169	259	260	271	274	246	250	402	451	3,210	3,684
\$5 Slot Machines	66	65	102	109	89	91	97	99	78	94	62	74	35	28	55	56	50	51	55	58	89	94	778	819
\$25 Slot Machines	13	13	21	21	20	21	15	15	16	16	10	10	3	3	15	15	10	10	13	12	15	12	151	148
\$100 Slot Machines	12	23	13	12	12	12	18	18	10	10	10	10	3	3	12	12	5	5	5	5	19	18	119	128
Multi-Denominational Slot Machines	266	265	472	369	672	557	433	262	1,329	1,118	773	738	1,908	2,060	1,503	1,316	185	166	161	151	438	378	8,140	7,380
Other Slot Machines	25	31	40	47	53	61	58	70	24	36	20	20	5	4	48	47	23	24	69	64	35	53	400	457
Total Slot Machines	2,295	2,302	4,784	5,126	3,931	3,999	3,041	3,178	3,439	3,885	2,565	2,597	3,184	3,525	3,626	3,401	1,983	1,951	2,114	2,137	3,161	3,514	34,123	35,615
CASINO SQUARE FOOTAGE																								
Casino Square Footage	75,374	75,374	147,180	178,815	136,667	136,794	114,600	114,600	173,224	160,834	99,029	80,283	124,723	120,062	135,795	137,616	78,535	63,783	95,306	86,712	154,838	119,361	1,335,271	1,274,234
Simulcast Square Footage	-	-	35,002	47,937	23,620	23,620	30,374	30,374	569	-	-	20,139	17,086	20,682	6,954	8,380	-	14,752	-	-	12,483	47,516	126,088	213,400
Number Of Hotel Rooms	809	809	1,752	1,745	2,769	1,971	1,139	1,139	2,590	1,630	-	942	1,331	1,331	2,129	2,129	728	728	906	906	1,965	1,245	17,060	14,575
Number Of Parking Spaces	1,382	1,971	3,984	3,934	6,450	5,510	5,324	5,324	4,571	3,732	1,337	1,337	3,499	3,499	5,296	5,296	2,986	2,986	2,618	2,618	5,616	5,616	43,063	41,823
Property & Equipment, Gross (\$ Millions)	\$ 385.9	\$ 380.6	\$ 829.7	\$ 796.9	\$ 1,761.2	\$ 1,639.7	\$ 834.7	\$ 754.5	\$ 1,437.9	\$ 1,212.0	\$ 340.1	\$ 335.1	\$ 665.7	\$ 722.6	\$ 692.6	\$ 685.9	\$ 243.0	\$ 277.8	\$ 433.4	\$ 428.4	\$ 1,224.5	\$ 1,051.5	\$ 8,848.7	\$ 8,285.0
Number Of Employees	2,261	2,656	4,759	5,388	6,840	6,950	3,645	4,032	4,001	3,754	2,422	2,742	2,710	2,993	3,517	3,485	1,928	2,152	2,406	2,467	4,096	4,169	38,585	40,788

(a) Ultimate Texas Hold'Em commenced operations in August 2007.

(b) Winner's Pot Poker commenced operations in November 2007.

**THE NEW JERSEY CASINO INDUSTRY
GROSS REVENUE STATISTICS
FOR THE YEARS ENDED DECEMBER 31, 2008 AND 2007**
(\$ IN THOUSANDS)

<u>Casino Hotel</u>	<u>Casino Win</u>	<u>Daily Average Casino Win</u>	<u>Adjustments</u>	<u>Promotional Gaming Credits</u>	<u>Taxable Gross Revenue</u>	<u>Tax</u>	<u>Market Share of Casino Win</u>
<i>AC Hilton</i>							
2008	\$ 249,123	\$ 681	\$ 10	\$ 2,625	\$ 246,488	\$ 19,719	5.5%
2007	\$ 304,898	\$ 835	-	-	\$ 304,898	\$ 24,392	6.2%
<i>Bally's Atlantic City</i>							
2008	568,070	1,552	-	5,523	562,547	45,004	12.5%
2007	641,418	1,757	-	-	641,418	51,314	13.0%
<i>Borgata</i>							
2008	738,779	2,019	-	6,466	732,313	58,585	16.2%
2007	750,967	2,057	-	-	750,967	60,077	15.3%
<i>Caesars</i>							
2008	543,769	1,486	(85)	5,023	538,831	43,106	12.0%
2007	583,338	1,598	(93)	-	583,431	46,675	11.9%
<i>Harrah's Marina</i>							
2008	544,725	1,488	(17)	4,473	540,269	43,221	12.0%
2007	519,497	1,423	(19)	-	519,516	41,561	10.5%
<i>Resorts</i>							
2008	233,216	637	17	2,400	230,799	18,464	5.1%
2007	278,731	764	(18)	-	278,749	22,300	5.7%
<i>Showboat</i>							
2008	362,230	990	(28)	3,508	358,750	28,700	8.0%
2007	407,421	1,116	(27)	-	407,448	32,596	8.3%
<i>Tropicana</i>							
2008	356,987	975	-	3,476	353,511	28,281	7.8%
2007	403,667	1,106	-	-	403,667	32,293	8.2%
<i>Trump Marina</i>							
2008	203,643	556	(5)	2,083	201,565	16,125	4.5%
2007	241,939	663	15	-	241,924	19,354	4.9%
<i>Trump Plaza</i>							
2008	262,286	717	(52)	2,415	259,923	20,794	5.8%
2007	280,343	768	(171)	-	280,514	22,441	5.7%
<i>Trump Taj Mahal</i>							
2008	482,408	1,318	(106)	4,381	478,133	38,251	10.6%
2007	508,568	1,393	(237)	-	508,805	40,704	10.3%
TOTALS							
2008	\$ 4,545,236	\$ 12,419	\$ (266)	\$ 42,373	\$ 4,503,129	\$ 360,250	100.0%
2007	\$ 4,920,787	\$ 13,482	\$ (550)	\$ -	\$ 4,921,337	\$ 393,707	100.0%

**THE NEW JERSEY CASINO INDUSTRY
TOTAL GAMING WIN
FOR THE YEARS ENDED DECEMBER 31, 2008 AND 2007**
(\$ IN THOUSANDS)

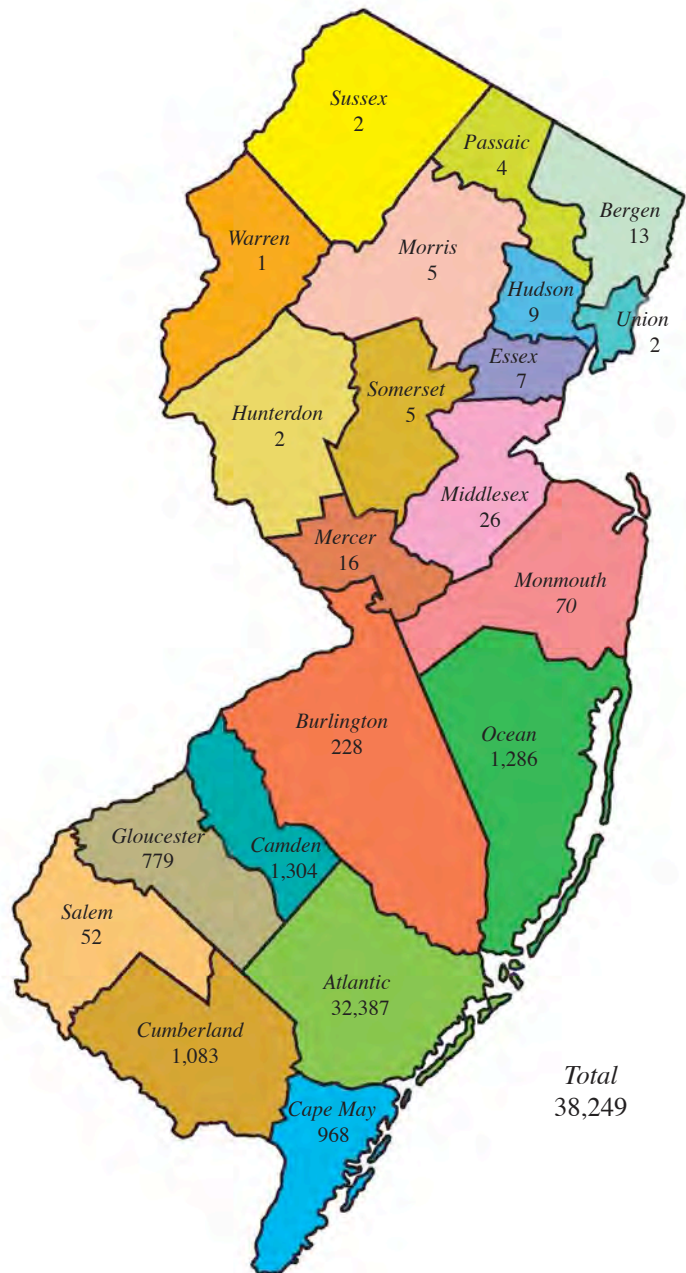
	2008	2007	Growth (Decline)	
			\$	%
<i>Table & Other Games</i>				
Blackjack	\$ 461,923	\$ 480,528	(18,605)	(3.9)
Craps	183,575	188,105	(4,530)	(2.4)
Roulette	156,711	171,575	(14,864)	(8.7)
Baccarat	22,208	32,567	(10,359)	(31.8)
Poker	82,368	84,151	(1,783)	(2.1)
Other Games (a)	505,675	499,390	6,285	1.3
Subtotal	1,412,460	1,456,316	(43,856)	(3.0)
Simulcasting	7,951	9,454	(1,503)	(15.9)
Total Table & Other Games	1,420,411	1,465,770	(45,359)	(3.1)
<i>Slot Machines</i>				
.01 and .02 Slot Machines	697,964	643,692	54,272	8.4
.05 Slot Machines	451,368	586,723	(135,355)	(23.1)
.25 Slot Machines	566,013	709,262	(143,249)	(20.2)
.50 Slot Machines	66,747	95,438	(28,691)	(30.1)
1.00 Slot Machines	393,735	472,314	(78,579)	(16.6)
5.00 Slot Machines	127,343	143,026	(15,683)	(11.0)
Multi-Denominational Machines	714,134	678,843	35,291	5.2
Other Slot Machines	115,472	135,173	(19,701)	(14.6)
Total Slot Machines	3,132,776	3,464,471	(331,695)	(9.6)
<i>Grand Total</i>	<u>\$4,553,187</u>	<u>\$4,930,241</u>	<u>(377,054)</u>	(7.6)

(a) Other games reflect Big Six, Minibaccarat, Sic Bo, Pai Gow Poker, Pai Gow, Keno, Caribbean Stud Poker, Let It Ride Poker, Spanish 21, Three Card Poker, Four Card Poker, Double Attack Blackjack, Texas Hold'Em Bonus Poker, Flop Poker, Ultimate Texas Hold'Em, Asia Poker and Winner's Pot Poker.

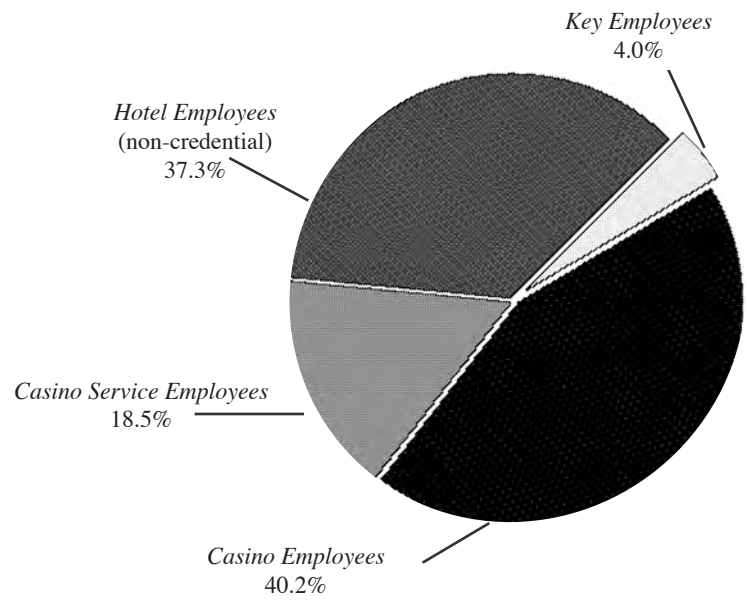
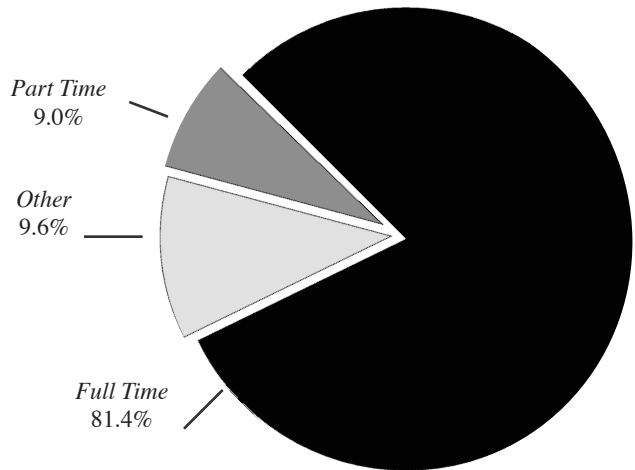
**EMPLOYMENT BY ATLANTIC CITY
CASINO LICENSEES BY COUNTY**
FOR THE YEAR ENDED DECEMBER 31, 2008

Approximately 336
casino hotel employees
are not represented in
these figures. There are
several reasons why
this may occur, they
are:

Information is
missing from the
employment data that
is transmitted to the
Commission by the
casino industry;
or the employment data
contains errors or,
the person has a zip
code that is not found
in New Jersey.



**NEW JERSEY CASINO INDUSTRY BY
TYPE OF EMPLOYMENT**
FOR THE YEAR ENDED DECEMBER 31, 2008*



EMPLOYEE LICENSE AND REGISTRATION APPLICATIONS ACCEPTED AND ISSUED*

FOR THE YEAR ENDED DECEMBER 31, 2008

Casino Key Employees:

Initial Applications Filed	114
Initial Licenses Issued	157
Renewal Applications Filed	623
Renewal Licenses Issued	722
Temporary Licenses Issued	106

Casino Employees:

Applications Filed	1,916
Licenses Issued	1,975
Renewal Applications Filed	4,516
Renewal Licenses Issued	5,024
Temporary Licenses Issued	824

Casino Service Employees:

Applications Filed	1,117
Registrations Issued	1,117

Total Employees:

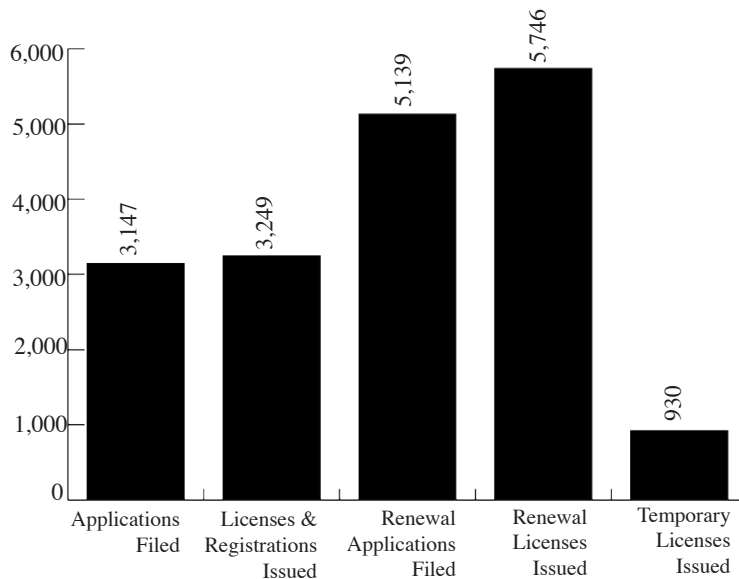
Applications Filed	3,147
Licenses & Registrations Issued	3,249
Renewal Applications Filed	5,139
Renewal Licenses Issued	5,746
Temprary Licenses Issued	930

GRAND TOTAL

18,211

TOTAL EMPLOYEE LICENSE AND REGISTRATION APPLICATIONS ACCEPTED AND ISSUED

FOR THE YEAR ENDED DECEMBER 31, 2008



Total Transactions 18,211

NEW JERSEY CASINO INDUSTRY EMPLOYMENT STATISTICS

FOR THE FOUR YEARS ENDED DECEMBER 31, 2008

	2008	2007	2006	2005
AC Hilton	2,261	2,656	2,886	2,880
Bally's Atlantic City	4,759	5,388	5,654	6,127
Borgata	6,840	6,950	7,071	5,937
Caesars	3,645	4,032	4,182	3,943
Harrah's Marina	4,001	3,754	3,355	2,945
Resorts	2,422	2,742	2,855	2,926
Sands ^(a)	n/a	n/a	n/a	1,963
Showboat	2,710	2,993	2,849	2,748
Tropicana	3,517	3,485	4,507	5,142
Trump Marina	1,928	2,152	2,186	2,395
Trump Plaza	2,406	2,467	2,621	2,850
Trump Taj Mahal	4,096	4,169	4,290	4,686
TOTALS	38,585	40,788	42,456	44,542

NEW JERSEY CASINO INDUSTRY SALARIES AND WAGES

FOR THE FOUR YEARS ENDED DECEMBER 31, 2008 (\$ IN THOUSANDS)

	2008	2007	2006	2005
AC Hilton	\$ 70,098	\$ 75,121	\$ 76,178	\$ 78,007
Bally's Atlantic City	134,747	150,911	155,798	159,152
Borgata	164,673	153,238	144,573	128,292
Caesars	105,485	112,675	105,107	101,472
Harrah's Marina	99,318	92,267	84,116	80,115
Resorts	62,596	66,426	67,548	67,226
Sands ^(a)	n/a	n/a	53,233	51,074
Showboat	75,524	77,462	76,315	75,498
Tropicana	82,777	83,958	100,394	106,624
Trump Marina	59,732	62,021	63,826	66,005
Trump Plaza	73,779	72,818	77,017	76,262
Trump Taj Mahal	109,450	112,283	118,019	121,316
TOTALS	\$ 1,038,179	\$ 1,059,180	\$ 1,122,124	\$ 1,111,043

^(a) Sands ceased operations on November 10, 2006.

**TOTAL VOLUME OF BUSINESS - CASINO SERVICE INDUSTRY
CALENDAR YEAR 2008**

	Total Companies	Percent of Total Companies	Dollar Volume of Business*	Percent of Total Business
<i>Total Number of Vendors Receiving Payments</i>	6,070	100.00%	\$4,150,461,525 **	100.00%
New Jersey Enterprises	2,199	36.23%	\$2,336,219,824	56.29%
Pennsylvania Enterprises	621	10.23%	\$397,896,053	9.59%
New York Enterprises	751	12.37%	\$246,959,820	5.95%
Delaware Enterprises	24	0.40%	\$73,248,128	1.76%
All Other States	2,377	39.16%	\$1,083,517,157	26.11%
Foreign Enterprises	98	1.61%	\$12,620,543	0.30%

* "Dollar Volume of Business" represents only those monies paid by casino licensees for goods or services. This figure does not include such payments as governmental taxes, fines and fees to the Casino Control Commission, charitable contributions, guest losses or court garnishments.

** This dollar figure includes disbursements to subcontractors made pursuant to N.J.A.C. 19:43-10.6(a)5.

Numbers reflect the states in which the offices serving hotel/casinos are located and may not be the states in which the enterprises are incorporated or have a home office.

**TOTAL VOLUME OF BUSINESS - NEW JERSEY COMPANIES
CALENDAR YEAR 2008**

TOTAL VOLUME OF BUSINESS -- NEW JERSEY COMPANIES CALENDAR YEAR 2008				
	Total Companies	Percent of Total Companies	Dollar Volume of Business	Percent of Total Business
<i>New Jersey Enterprises</i>	2,199	100.00%	\$2,336,219,824	100.0000%
Atlantic	1,048	47.66%	\$1,437,900,399	61.5482%
Bergen	93	4.23%	\$41,980,625	1.7969%
Burlington	145	6.59%	\$78,912,132	3.3778%
Camden	189	8.59%	\$106,122,592	4.5425%
Cape May	63	2.86%	\$5,403,058	0.2313%
Cumberland	56	2.55%	\$55,123,048	2.3595%
Essex	66	3.00%	\$74,653,602	3.1955%
Gloucester	88	4.00%	\$98,606,411	4.2208%
Hudson	37	1.68%	\$7,896,354	0.3380%
Hunterdon	2	0.09%	\$1,285,227	0.0550%
Mercer	56	2.55%	\$134,389,839	5.7524%
Middlesex	62	2.82%	\$214,778,904	9.1934%
Monmouth	74	3.37%	\$15,466,918	0.6620%
Morris	44	2.00%	\$6,472,905	0.2771%
Ocean	59	2.68%	\$22,388,344	0.9583%
Passaic	26	1.18%	\$2,044,715	0.0875%
Salem	10	0.45%	\$16,585,956	0.7099%
Somerset	27	1.23%	\$3,656,206	0.1565%
Sussex	6	0.27%	\$115,760	0.0050%
Union	43	1.96%	\$12,403,545	0.5309%
Warren	5	0.23%	\$33,284	0.0014%

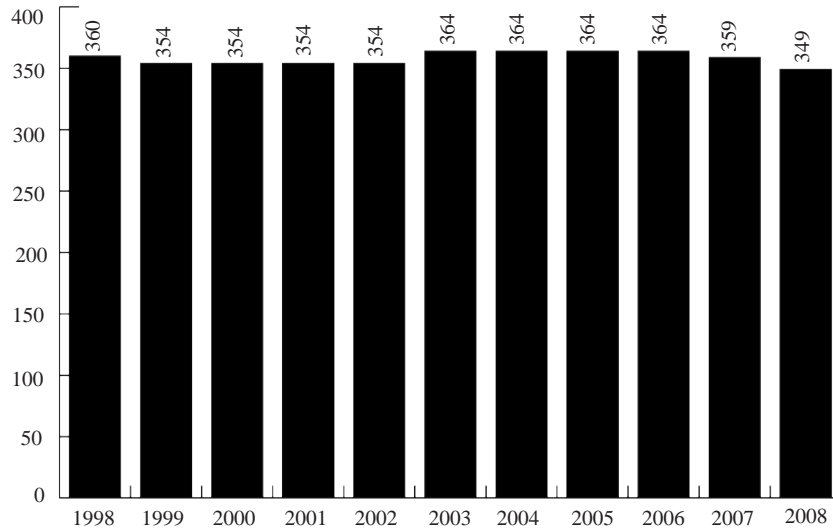
**NEW JERSEY CASINO INDUSTRY ENTERPRISE REGISTRATION AND
LICENSING STATISTICS** *FOR THE PERIOD OF JANUARY 1, 2008 THROUGH DECEMBER 31, 2008*

<u>Registration and Licensing Processing Statistics</u>		<u>Registration and Licensing Status Totals</u>	
Vendor Registrations Processed	2,559	Universe of Active Vendors	9,303
Enterprises Prohibited from Conducting Business with Casino Licensees	34*	Universe of Prohibited Vendors	602 *
Exemptions From Licensure Granted By CCC	4	Labor Organizations Currently Registered	9

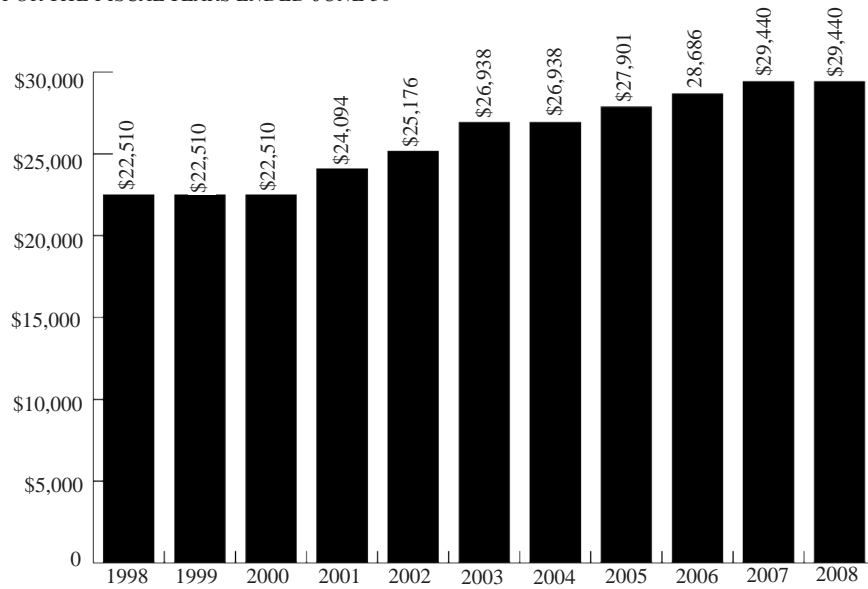
<i>Initial</i> <i>Casino Service Industry Licenses</i>		<i>Renewal</i> <i>Casino Service Industry Licenses</i>		<i>Licensed</i> <i>Casino Service Industry Enterprises</i>	
Gaming Related:		Gaming Related:		Initial Licensees:	
Applications Filed	15	Applications Filed	4	Gaming	21
Licenses Issued	5	Licenses Issued	3	Nongaming	641
Licenses Denied	0	Licenses Denied	0	Junket	19
Withdrawals Granted	0	Withdrawals Granted	0		
Non-Gaming Related:		Non-Gaming Related:		Renewal Licensees:	
Applications Filed	95	Applications Filed	51	Gaming	31
Licenses Issued	119	Licenses Issued	149	Nongaming	555
Licenses Denied	7	Licenses Denied	0	Junket	39
Withdrawals Granted	20	Withdrawals Granted	2		
Junket Enterprises:		Junket Enterprises:			
Applications Filed	2	Applications Filed	5		
Licenses Issued	3	Licenses Issued	4		
Licenses Denied	1	Licenses Denied	0		
Withdrawals Granted	0	Withdrawals Granted	0		

* This figure includes enterprises prohibited for the following reasons: denial of a casino service industry license, failure to file a casino service industry license application, withdrawal of a casino service industry license, and non-filing of a required vendor registration form.

NEW JERSEY CASINO CONTROL COMMISSION NUMBER OF AUTHORIZED
EMPLOYEE POSITIONS *FOR THE FISCAL YEARS ENDED JUNE 30*



NEW JERSEY CASINO CONTROL COMMISSION BUDGET APPROPRIATIONS
FOR THE FISCAL YEARS ENDED JUNE 30





CASINO REVENUE FUND

FOR THE FISCAL YEAR ENDED JUNE 30, 2008

New Jersey casinos pay the state 8% tax on their gross revenues appropriated to the Casino Revenue Fund for the benefit of the aged and disabled citizens of the State of New Jersey. Gross gaming revenue is the amount casinos win from gamblers after all payouts have been made.

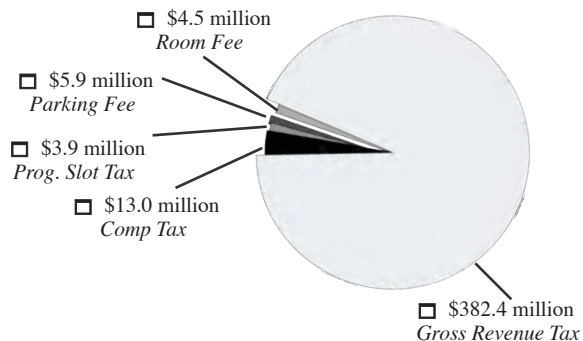
The Casino Control Commission collects a variety of different taxes from casinos and deposits the money in the Casino Revenue Fund. Funding is generated through five casino related taxes. The largest is an 8 percent tax on casino gross revenues and can only be spent on programs that benefit New Jersey State seniors and people with disabilities.

The responsibility for administering these taxes was transferred by the State Legislature from the Division of Taxation to the Commission.

- ❑ Gross Revenue Tax includes audit assessments, penalties, interest and other adjustments.
- ❑ Casino Complimentary Tax imposes a 2.125% tax upon casino licensees on the value of complimentary rooms, food, beverage, and entertainment granted to patrons. The tax, which was reduced to 1.0625 in FY 2009, expires on June 30, 2009.
- ❑ Casino Parking Fee requires casinos to remit a fee of \$3.00 per day for any parking space in use in their facility. In FY 08, \$0.50 of the parking fee revenue was deposited into the Casino Revenue Fund, with the remaining \$2.50 forwarded to the Casino Reinvestment Development Authority (CRDA) for statutory restricted projects.
- ❑ Casino Room Fee requires casinos to remit \$3.00 per day for each hotel room occupied by a guest. In FY 08, \$1.00 went to the CRDA and \$2.00 went into the Casino Revenue Fund.
- ❑ Multi-Casino Progressive Slot Tax assesses an 8% tax on casino service industry multi-casino progressive slot revenue. The forecasted amounts assume the same growth rate as the Gross Revenue Tax.

❑ \$409.7 million

Total taxes deposited into Casino Revenue Fund for FY 2008



Casinos have paid more than **\$7.8 billion** in taxes to the Casino Revenue Fund since 1978.

INDEPENDENT AUDITOR'S REPORT

INDEPENDENT AUDITOR'S REPORT

LEGISLATIVE SERVICES COMMISSION

ASSEMBLYMAN
JOSEPH J. ROBERTS, JR.
Chairman

SENATOR
THOMAS H. KEAN, JR.
Vice-Chairman

SENATE

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RICHARD J. CODEY
NIA H. GILL
ROBERT M. GORDON
SEAN T. KEAN
JOSEPH M. KYRILLOS, JR.
LORETTA WEINBERG

GENERAL ASSEMBLY

PETER J. BIONDI
JON M. BRANNICK
JOHN J. BURZICHELLI
ALEX DECROCE
ALISON LITTELL MCHOSE
JOAN M. QUIGLEY
BONNIE WATSON COLEMAN



New Jersey State Legislature

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STEPHEN M. FELLIS

Assistant State Auditor

THOMAS R. MISEROLI

Assistant State Auditor

The Honorable Jon S. Corzine
Governor of New Jersey

The Honorable Richard J. Codey
President of the Senate

The Honorable Joseph J. Roberts, Jr.
Speaker of the General Assembly

Mr. Albert Porroni
Executive Director
Office of Legislative Services

INDEPENDENT AUDITOR'S REPORT

We have audited the financial statements of the State of New Jersey Casino Control Fund as listed in the accompanying table of contents as of and for the years ended June 30, 2008 and 2007. These financial statements are the responsibility of management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in the *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

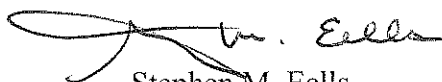
As discussed in Note 1, the financial statements present only the Casino Control Fund and do not purport to, and do not, present fairly the financial position of the State of New Jersey as of June 30, 2008 and 2007, the changes in its financial position, or its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Casino Control Fund as of June 30, 2008 and 2007 and the changes in financial position thereof for the years then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated June 3, 2009 on our consideration of the Casino Control Fund management's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

The Statement of Revenues, Expenditures, and Changes in Fund Balances Budget and Actual - Budgetary Basis and reconciliation are not required as part of the financial statements but are supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consist principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming an opinion on the Casino Control Fund financial statements. The expenditure detail schedule is presented for the purpose of additional analysis and is not a required part of the Casino Control Fund financial statements. The expenditure detail schedule has been subjected to the auditing procedures applied in the audit of the Casino Control Fund financial statements and, in our opinion, is fairly stated in all material respects in relation to the financial statements taken as a whole.



Stephen M. Eells
Assistant State Auditor
June 3, 2009

**STATE OF NEW JERSEY
CASINO CONTROL FUND
BALANCE SHEET
JUNE 30, 2008 AND 2007**

	<u>2008</u>	<u>2007</u>
<u>ASSETS</u>		
Cash	\$ 51,000	\$ 51,000
Accounts Receivable	11,818,889	10,263,791
Less: Allowance for Doubtful Accounts	<u>100,743</u>	<u>97,790</u>
Net Accounts Receivable	11,718,146	10,166,001
Due from General Fund	<u>1,888,499</u>	<u>6,651,716</u>
Total Assets	<u>\$ 13,657,645</u>	<u>\$ 16,868,717</u>
<u>LIABILITIES AND FUND BALANCES</u>		
Liabilities		
Accounts Payable	\$ 4,994,102	\$ 5,111,898
Deferred Revenue	<u>3,222,500</u>	<u>8,184,000</u>
Total Liabilities	<u>8,216,602</u>	<u>13,295,898</u>
Fund Balances		
Reserved for:		
Encumbrances	1,789,974	1,464,066
Unreserved:		
Designated for Continuing Appropriations	643,592	621,090
Undesignated	<u>3,007,477</u>	<u>1,487,663</u>
Total Fund Balances	<u>5,441,043</u>	<u>3,572,819</u>
Total Liabilities and Fund Balances	<u>\$ 13,657,645</u>	<u>\$ 16,868,717</u>

The accompanying notes are an integral part of the financial statements

**STATE OF NEW JERSEY
CASINO CONTROL FUND
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
FOR THE FISCAL YEARS ENDED JUNE 30, 2008 AND 2007**

	<u>2008</u>	<u>2007</u>
<u>REVENUES</u>		
Casinos		
Licenses - Casino	\$ 47,910,335	\$ 49,396,145
- Slot Machine	18,294,748	19,622,082
- Alcoholic Beverage	112,612	149,895
Assessments	---	---
	<u>66,317,695</u>	<u>69,168,122</u>
Credits - Prior Year Fund Balance	---	(75,921)
Total from Casinos	<u>66,317,695</u>	<u>69,092,201</u>
Other Sources		
Licenses - Casino Employees	3,063,148	3,039,897
- Casino Service Industry	808,596	1,029,367
Equipment Prototype Testing	2,240,544	2,204,578
Other Revenues	<u>80,573</u>	<u>65,651</u>
Total from Other Sources	<u>6,192,861</u>	<u>6,339,493</u>
Investment Earnings	<u>462,419</u>	<u>214,015</u>
Total Revenues	<u>72,972,975</u>	<u>75,645,709</u>
<u>EXPENDITURES</u>		
Public Safety and Criminal Justice (Division of Gaming Enforcement)	42,884,896	43,210,716
Government Direction, Management and Control (Casino Control Commission)	<u>28,219,855</u>	<u>28,938,095</u>
Total Expenditures	<u>71,104,751</u>	<u>72,148,811</u>
Net Increase (Decrease) in Fund Balance for the Year	1,868,224	3,496,898
Fund Balance - Beginning	<u>3,572,819</u>	<u>75,921</u>
Fund Balance - Ending	<u>\$ 5,441,043</u>	<u>\$ 3,572,819</u>

The accompanying notes are an integral part of the financial statements

**STATE OF NEW JERSEY
CASINO CONTROL FUND
NOTES TO FINANCIAL STATEMENTS**

NOTE 1 - Significant Accounting Policies

A. Basis of Presentation

The accompanying financial statements have been prepared in conformity with generally accepted accounting principles (GAAP) as prescribed by the Governmental Accounting Standards Board (GASB).

B. Financial Reporting Entity

The Casino Control Commission and the Division of Gaming Enforcement are agencies of the State of New Jersey. N.J.S.A. 5:12-143 established the Casino Control Fund to account for the financial transactions of these agencies.

C. Fund Level Financial Statements

The State of New Jersey issues government-wide financial statements that report information for all of the non-fiduciary activities of the State including that of the Casino Control Fund. Due to the legislative mandate that the Casino Control Fund be financed exclusively by licensing fees assessed upon the casino industry, a Fund Level Financial Statement is prepared for the Casino Control Fund.

A Fund Level Financial Statement includes a Balance Sheet and a Statement of Revenues, Expenditures, and Changes in Fund Balances.

D. Measurement Focus and Basis of Accounting

The Casino Control Fund statements utilize the current financial resources measurement focus and the modified accrual basis of accounting. Under the current financial resources measurement focus, only current assets and liabilities are included on the balance sheet. The operating statement for the fund presents increases and decreases in total fund balances.

In accordance with the modified accrual basis, revenues are recognized when they become susceptible to accrual; that is, when they become both measurable and available to finance expenditures of the fiscal period. Available means collectible within the current period or soon enough thereafter to be used to pay liabilities of the current period. Material revenues susceptible to accrual would include casino license fees.

Expenditures are recognized when the related fund liabilities are incurred. Disbursements for prepaid expenses, inventory items, and fixed assets are recorded as expenditures when incurred.

E. Fund Accounting

The financial activities of the State are recorded in individual funds, each of which is deemed to be a separate accounting entity. The State uses fund accounting to report on its financial position and results of operations. Fund accounting is designed to demonstrate legal compliance and to aid financial management by segregating transactions related to certain government functions or activities. A fund is a separate accounting entity with a self-balancing set of accounts, which represents the fund's assets, liabilities, equity, revenues, and expenditures or expenses. Separate financial statements are provided for governmental funds, proprietary funds, and fiduciary funds.

Governmental Fund Type - Special Revenue Fund

The Casino Control Fund is a governmental fund type - Special Revenue Fund. Special Revenue Funds are used to account for the proceeds of specific revenue sources (other than special assessments, private purpose trusts, or for major capital projects) that are legally restricted to expenditure for specified purposes.

The Casino Control Fund (N.J.S.A. 5:12-143) accounts for fees from the issuance and renewal of casino licenses and other license fees. Appropriations are made to the Casino Control Fund to finance the operations of the Casino Control Commission and the Division of Gaming Enforcement.

F. Budgetary Process

An annual budget is adopted for the Casino Control Fund. The Legislature enacts the budget through passage of a specific appropriation, the sum of which may not exceed estimated revenues. The annual appropriations act for fiscal year 2008 authorized \$74,662,834 which consists of an original appropriation of \$74,039,000 and other authorized appropriations of \$623,834. Budgetary control is maintained at the program unit level.

During the year, the spending authority delineated in the appropriations act may be revised for supplemental appropriations approved by both the Legislature and the Governor. For fiscal year 2008, no supplemental appropriations were granted to the Division of Gaming Enforcement or Casino Control Commission.

A Statement of Revenues, Expenditures, and Changes in Fund Balances Budget and Actual – Budgetary Basis for the fiscal year ended June 30, 2008 is presented as required supplementary information to these statements. This statement presents a comparison of the final budget adopted for the Casino Control Fund with actual data on a budgetary basis.

The State's budgetary basis of accounting differs from that utilized to present financial statements in conformity with generally accepted accounting principles (GAAP). The main differences between the budgetary basis and the GAAP basis are that under the budgetary basis encumbrances are recognized as expenditures, and the budgetary basis reflects transactions only for the current fiscal year.

There were no expenditures in excess of appropriations in the Casino Control Fund.

G. Fund Balances

The fund balances of the Casino Control Fund consist of the following:

- 1) Reserved for Encumbrances - Used to segregate a portion of fund balance to provide for expenditure upon vendor performance of purchase agreements.
- 2) Unreserved - Designated for Continuing Appropriations - Used to represent that portion of fund balance which has been appropriated by the Legislature.
- 3) Unreserved - Undesignated - Used to represent that portion of fund balance resources available for appropriation.

H. Other

Other significant accounting policies are described in Notes 2 to 10.

NOTE 2 - Cash

Represents a \$500 petty cash fund maintained by each agency and a \$50,000 confidential fund maintained by the Division of Gaming Enforcement.

NOTE 3 - Accounts Receivable

Represents amounts due from casinos and related entities. Net receivables are substantially collected within three months.

Allowance for doubtful accounts represents one hundred percent of non-current receivables.

NOTE 4 - Due From General Fund

Cash transactions of the Casino Control Fund are made by and through the General Fund cash accounts. The balance of cash for this fund held in the General Fund, after receipt and disbursement transactions, is accounted for and reflected in the Due From account on the Balance Sheet.

NOTE 5 - Capital Assets

Capital Assets acquired with fund resources are recorded as expenditures of the fund at the time of acquisition. Assets greater than \$20,000 are also recorded in the State's government-wide financial statements. Capital assets are depreciated using the straight line method. The State assigned estimated useful life for machinery and equipment is 4-30 years. A summary of these capital assets and related accumulated depreciation for the year ended June 30, 2008 follows:

<u>Program</u>	<u>Asset</u>	<u>Balance July 1, 2007</u>	<u>Additions</u>	<u>Retirements</u>	<u>Accumulated Depreciation</u>	<u>Net Capital Assets June 30, 2008</u>
Government Direction, Management and Control	Machinery & Equipment	\$767,530	\$102,085	---	\$376,939	\$492,676
Public Safety and Criminal Justice	Machinery & Equipment	\$622,025*	\$33,784	\$48,998	\$499,416	\$107,395

* Restated from prior year to reflect an increase of \$57,795 due to asset revisions.

NOTE 6 - Deferred Revenue

Deferred Revenue represents fiscal year 2009 and fiscal year 2008 slot machine license billings collected and recorded in June 2008 and 2007, respectively.

NOTE 7 - Fund Balance

The positive fund balance as of June 30, 2008 and June 30, 2007 resulted from revenues exceeding expenditures. Pursuant to N.J.A.C. 19:41-9.1(e) the balance at June 30, 2008 will be credited to the casino licensees upon approval by the Commission in proportion to the relative amount of total fees incurred or paid by each casino licensee with respect to the fiscal year ended June 30, 2008. The balance at June 30, 2008 of \$5.4 million includes the fiscal year 2007 balance of \$3.6 million which was credited to the casino licensees in fiscal year 2009.

NOTE 8 - Employee Benefit Costs

Fringe benefit costs which include pension, health benefits, payroll taxes, and amounts for unused sick leave are originally paid by the General Fund and are charged to the Casino Control Fund using a composite fringe benefit rate.

Cash payments for accumulated sick leave balances are made to retiring employees upon regular retirement. The payment is based on fifty percent of the employee's sick leave accumulation, at the pay rate in effect at the time of retirement up to a maximum of \$15,000. Employees separating from state service prior to retirement are not entitled to payments for accumulated sick leave balances. Sick leave accumulations may also be used by an employee for a personal illness or injury as a means of continuing regular pay. The liability for accumulated employee sick leave balances as of June 30, 2008 and June 30, 2007 of approximately \$4.0 million and \$4.1 million, respectively, is reflected as a non-current liability on the State's government-wide financial statements and is not accrued in these financial statements.

Employees annually earn 12 to 25 vacation days based on years of service and are permitted to carry over those days earned within a one-year period. The liability for accumulated vacation pay as of June 30, 2008 and June 30, 2007 of approximately \$1.7 million is reflected as a non-current liability on the State's government-wide financial statements and is not accrued in these financial statements.

NOTE 9- Interest

The General Fund charges interest to the Casino Control Fund when disbursements exceed receipts collected and credits interest to the Casino Control Fund when receipts collected exceed disbursements made. The interest rate used during fiscal year 2008 and fiscal year 2007 was equal to the effective rate of return on investments in the General Fund and varied from 2.48% to 5.34% in fiscal year 2008 and from 5.01% to 5.38% in fiscal year 2007. The net effect of these transactions is reflected in the Investment Earnings account on the Statement of Revenues, Expenditures, and Changes in Fund Balances.

NOTE 10- Contingent Liability

As of the issuance date of these statements, the Casino Control Fund is not involved in any legal actions wherein there is potential for unanticipated expenditure. Should any legal actions subsequently materialize, N.J.A.C. 19:41-9.1 allows the Casino Control Fund to apportion any uncollected cost among the licensed casino facilities.

REQUIRED SUPPLEMENTARY INFORMATION

**STATE OF NEW JERSEY
CASINO CONTROL FUND
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
BUDGET AND ACTUAL – BUDGETARY BASIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2008**

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual Budgetary Basis</u>	<u>Variance with Final Budget</u>
REVENUES				
Casinos				
Licenses - Casino	\$50,092,863	\$48,754,863	\$47,910,335	\$ (844,528)
- Slot Machine	18,164,500	18,164,500	18,294,748	130,248
- Alcoholic Beverage	145,000	145,000	112,612	(32,388)
Assessments	---	---	---	---
Total from Casinos	<u>68,402,363</u>	<u>67,064,363</u>	<u>66,317,695</u>	<u>(746,668)</u>
Other Sources				
Licenses - Casino Employees	2,839,653	2,839,653	3,063,148	223,495
- Casino Service Industry	670,250	670,250	808,596	138,346
Equipment Prototype Testing	2,366,318	2,366,318	2,240,544	(125,774)
Other Revenues	<u>34,250</u>	<u>34,250</u>	<u>80,573</u>	<u>46,323</u>
Total from Other Sources	<u>5,910,471</u>	<u>5,910,471</u>	<u>6,192,861</u>	<u>282,390</u>
Investment Earnings	<u>200,000</u>	<u>500,000</u>	<u>462,419</u>	<u>(37,581)</u>
Total Revenues	<u>74,512,834</u>	<u>73,474,834</u>	<u>72,972,975</u>	<u>(501,859)</u>
EXPENDITURES				
Public Safety and Criminal Justice (Division of Gaming Enforcement)	44,983,292	44,983,292	43,491,321	1,491,971
Government Direction, Management and Control (Casino Control Commission)	<u>29,679,542</u>	<u>29,679,542</u>	<u>28,065,276</u>	<u>1,614,266</u>
Total Expenditures	<u>74,662,834</u>	<u>74,662,834</u>	<u>71,556,597</u>	<u>3,106,237</u>
Net Change in Fund Balance	(150,000)	(1,188,000)	1,416,378	2,604,378
FUND BALANCE - JULY 1, 2007	<u>150,000</u>	<u>1,487,663</u>	<u>1,487,663</u>	---
FUND BALANCE - JUNE 30, 2008	<u>\$ ---</u>	<u>\$ 299,663</u>	<u>\$ 2,904,041</u>	<u>\$ 2,604,378</u>

STATE OF NEW JERSEY
CASINO CONTROL FUND
BUDGETARY COMPARISON SCHEDULE
BUDGET-TO-GAAP RECONCILIATION
FOR THE FISCAL YEAR ENDED JUNE 30, 2008

Budgetary Basis - Net Increase in Fund Balances	\$ 1,416,378
--	---------------------

Differences - Budget to GAAP

Encumbrances for items ordered but not received are reported in the year the resources are encumbered for budgetary purposes, but in the year the items were received for GAAP purposes.

\$ 964,539

Expenditures in prior fiscal year accounts are reported in the year the resources are encumbered for budgetary purposes, but in the year the funds are disbursed for GAAP purposes.

(512,693)

Total Differences - Budget to GAAP

451,846

GAAP Basis - Net Increase In Fund Balances

\$ 1,868,224

SUPPLEMENTARY INFORMATION

**STATE OF NEW JERSEY
CASINO CONTROL FUND
EXPENDITURE DETAIL
FISCAL YEARS ENDED JUNE 30, 2008 AND 2007**

	2008		2007	
	PUBLIC SAFETY AND CRIMINAL JUSTICE	GOVERNMENT DIRECTION MANAGEMENT AND CONTROL	PUBLIC SAFETY AND CRIMINAL JUSTICE	GOVERNMENT DIRECTION MANAGEMENT AND CONTROL
EXPENDITURES:				
Salaries	\$ 28,299,926	\$ 18,690,381	\$ 28,053,403	\$ 19,168,521
Payroll Taxes and Employee Benefits	9,201,543	6,146,920	9,726,278	6,641,596
Printing and Office Supplies	157,062	128,571	144,747	174,707
Vehicular Supplies	304,593	---	258,431	---
Travel	132,865	17,422	222,446	12,697
Telephone	301,266	240,548	291,843	191,794
Data Processing	397,064	883,679	345,883	973,147
Professional Services	59,571	188,758	222,727	91,646
Other Services Other Than Personal	630,552	112,944	618,321	152,349
Rent-Facilities	2,167,289	1,359,710	2,025,731	1,264,472
Rent-Automobiles and Other	55,872	175,546	66,918	168,121
Indirect Costs	688,016	131,037	816,085	35,349
Office Equipment	25,477	29,586	32,879	2,441
Vehicular Equipment	130,595	30,768	44,380	---
Other Equipment	<u>333,205</u>	<u>83,985</u>	<u>340,644</u>	<u>61,255</u>
TOTAL EXPENDITURES	<u>\$ 42,884,896</u>	<u>\$ 28,219,855</u>	<u>\$ 43,210,716</u>	<u>\$ 28,938,095</u>

Jon S. Corzine,
Governor

*New Jersey
Casino
Control Commission*

Linda M. Kassekert
Chair

Michael C. Epps
Vice Chair

Michael A. Fedorko
William T. Sommeling
Commissioners

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